

*K

1946

File No. B. Sales Tax/46.



Legal DEPARTMENT

B BRANCH

p. 40 (5)
1946

K.S.R.
5/6

Subject:—

A Bill to amend the

Bombay Sales Tax Act 1946

L. A. Bill No. XXIV of 1946.

Bom. Act. No. XVII of 1946.

File No. B. Sales Tax/46.

Std. Sectt. Slip 24 B a.

573-B

CONTENTS.

Legal Department File No. B. Sales Tax/1946.

Sr. No.	R.I./ O.No.	Subject.	Pages.
	6	A Bill to amend the Bombay Sales Tax Act, 1946.	
1.		Progress Sheet.	1-2. [pp. 1-2 not typed]
2.	~~453-P/Conf.~~ 3-8-46.	Revised draft Bill.	3-8.
	~~600-P~~ 27-9-46.	Seeking Governor's assent.	9-12.
4.	~~1042-L~~ ~~28-9-46~~	Forwarding an Authentic copy of the Bill.	13-14
5.	~~623-L~~ 10-9-46.	Publication of the Bill.	15-18 [pp. 17-18 not typed]
6.	~~1041-L~~ ~~28-9-46~~	Publication of the Act.	19-22
7.		Debates.	23-54. [pp. 21-54 not typed]

MP.
1/5/56.

[Signature]
25/5
K.S.R.
25/5

Office of the R.L.A.

A revised draft Bill is sent herewith.

The Statement of Objects and Reasons at ^{Page} ~~Page~~ 3 ante
as slightly amended is in order.

The subject-matter of the Bill falls under entry 49
in the Seventh Schedule to the Government of India Act, 1935.
The Bill does not require any sanction or recommendation of
the Governor under the Government of India Act.

Gd. P.H. Moos
3/9/46.

Remembrancer of Legal Affairs.

U.R. to P.D., No. 453-P-Confl., dated the 3rd September 1946.

MRP.
22/5/56.

L.A.Bill No.

of 1946.

A Bill to amend the Bombay Sales Tax Act, 1946.

Whereas it is expedient to amend the Bombay
Sales Tax Act, 1946, for the purpose hereinafter
appearing; It is hereby enacted as follows:-

Short title.

1. This Act may be called the Bombay Sales
Tax (Amendment) Act, 1946.

Amendment of
sections 5 and
8 of Bom.V of
1946.

Bom.V 2. In sections 5 and 8 of the Bombay Sales
of
1946. Tax Act, 1946, for the figures "10,000" wherever
they occur, the figures "30,000" shall be
substituted.

MRP.
25/5/56.

Statement of Objects and Reasons.

In view of the representations received from the public that the limit of Rs.10,000 of gross turnover, prescribed under the Bombay Sales Tax Act, 1946, for purposes of liability to tax, is too low, it is proposed to increase that limit to Rs.30,000.

MRP.
25/5/56.

No. 600-P.
Legal Department,
Council Hall, Poona, 27th September 1946.

From

P. H. Moos, Esquire, C.I.E., I.C.S.,
Secretary to the Government of Bombay.

To

The Secretary to the Governor of Bombay.

Subject:- A Bill to amend the Bombay Sales Tax Act, 1946.

Sir,

With reference to section 75 of the Government of India Act, 1935, I am directed to forward herewith for the assent of His Excellency the Governor, an authentic copy of a Bill to amend the Bombay Sales Tax Act, 1946, which was read for the third time and passed at the meetings of the Bombay Legislative Assembly and the Bombay Legislative Council held on the 24th and 25th September 1946 respectively.

2. None of the provisions of the Bill affects any special responsibility of the Governor under section 52(1) of the Government of India Act, 1935 or falls within the purview of clause (a), (b), (c) or (d) of paragraph XVII of the Instrument of Instructions to the Governor of Bombay.

3. The subject-matter of the Bill falls under entry 48 in List II in the Seventh Schedule to the Government of India Act, 1935.

4. The Bill does not contain any provision repugnant to the provisions of any earlier Federal law or an existing Indian law with respect to any of the matters enumerated in the Concurrent Legislative List. It is not therefore necessary to reserve the Bill for consideration of the Governor General with reference to section 107(2) of the Government of India Act, 1935.

5. The date on which His Excellency the Governor's assent is given may kindly be entered in the endorsement.

6. I also forward herewith one copy of each of the papers

-
1. Bill as introduced in the Bombay Legislative Assembly with the Statement of Objects and Reasons.
 2. Bill as read for the third time and passed by the Bombay Legislative Assembly and as introduced in the Bombay Legislative Council.
 3. Bill as read for the third time and passed by the Bombay Legislative Council.
-

noted in the margin. The Bill was not referred to a Select Committee.

7. Extracts

from the

proceedings of the Bombay Legislative Assembly and the Bombay Legislative Council will be forwarded in due course.

8. It is requested that His Excellency the Governor may be moved to give his assent to the Bill before the 1st October 1946 as the new Act must come ~~into~~ into force on that date.

I have the honour to be,

Sir,

Your most obedient servant,

Sd. M. P.N. Moos

27/9/46

Secretary to the Government of Bombay,
Legal Department.

Through the Secretary to the Government of Bombay,
Finance Department.

MRP.
22/5/56.

No.G.S.3975.

Office of the Governor's Secretary
Government House.

From

D. Symington, Esquire, CIE. ICS.
Secretary to the Governor of Bombay.

To.

The Secretary to Government,
Legal Department.

Ganeshkhind, 28th September 1946.

Subject:- BOMBAY SALES TAX (AMENDMENT) BILL, 1946.

Sir,

With reference to your letter No.600-P, dated 27th September 1946, I am directed to return herewith, with His Excellency the Governor's assent signified thereon, the copy of the Bombay Sales Tax (Amendment) Bill, 1946.

I have the honour to be,

Sir,:

Your most obedient servant,

D. Symington,

Secretary to the Governor of Bombay.

MRP.
22/5, ---

Bills.

A Bill to amend the Bombay Sales Tax Act, 1946.

GOVERNMENT OF BOMBAY.

Legal Department.

Resolution No.623-L.

Council Hall, Poona, 10th September 1946.

Memorandum from the Finance Department ,No.6495/33 S.O., dated the 7th September 1946.- Transferring for necessary action, the papers relating to a Bill to amend the Bombay Sales Tax Act, 1946.

RESOLUTION:- The Bill with the Statement of Objects and Reasons should be forwarded to the Manager, Government Central Press, Bombay, for publication in the Bombay Government Gazette, dated the 12th September 1946, as Bill No.XXIV of 1946.

2. The Bill and the Statement of Objects and Reasons should be translated into Marathi, Gujarati, Kannada and Hindustani (in Urdu and Devnagari scripts) and the translations should be published in the Bombay Government Gazette on the 14th September 1946.

3. The dates of the various publications should be reported to the Secretary to the Bombay Legislative Assembly.

By order of the Governor of Bombay,

Original

Sd. S.L.Chaudhari,

Assistant Secretary to Government,
Legal Department.

To

The Manager, Government Central Press, Bombay (with the Bill and the Statement of Objects and Reasons and with a request that 230 Gazette copies of the Bill and the S.O.R. may be forwarded to the Secretary to the Bombay Legislative Assembly for distribution to the Members of the Bombay Legislative Assembly and 25 copies for the use of the Legal Department).

The Finance Department,	}	with a copy of the Bill and S.O.R.
*The Oriental Translator to Government,		
The Secretary to the Bombay Legislative Assembly,		
The Director of Information,		

*With five extra copies of the Bill.

Acts.

Publication of the Bombay Sales
Tax (Amendment) Act, 1946.

GOVERNMENT OF BOMBAY.

Legal Department.

Resolution No.1041-L.

Council Hall, Poona, 28th September 1946.

Letter to the Secretary to the Governor, No.600-P,
dated the 27th September 1946.

Letter from the Secretary to the Governor, No.G.S.3075,
dated the 28th September 1946:

"With reference to your letter No.600-P, dated 27th
September 1946, I am directed to return herewith, with
His Excellency the Governor's assent signified thereon,
the copy of the Bombay Sales Tax (Amendment) Bill, 1946."

RESOLUTION:- The law should be published as Bombay Act
No. XVII of 1946 in the Bombay Government Gazette, dated the
28th September 1946.

2. The Act should be translated into Marathi, Gujarati,
Kannada and Hindustani (in Urdu and Devnagari scripts) and
the translations should be published in the Bombay Government
Gazette.

3. A copy of the Act should be forwarded to the Finance
Department with reference to the memorandum from that Department
No.6495/33 S.O. dated the 7th September 1946.

By order of the Governor of Bombay,

Original Sd. S.L.Chaudhari,
Assistant Secretary to Government.

To

The Manager, Government Central Press, Bombay (with a copy
of the Act and with a request that 15 Gazette copies
of the Act may be forwarded to the Legal Department).

The Finance Department,	}	with a copy
* The Oriental Translator to Government,		
The Secretary to the Bombay Legislative Assembly Council,		
The Secretary to the Bombay Legislative Assembly,		
The Director of Information, Bombay,	}	of the Act.

*With five extra copies of the Act.

L. A. BILL No. XXIV OF 1946.

A Bill to amend the Bombay Sales Tax Act, 1946.

(As read for the third time and passed by the
Legislative Assembly on the 24th September 1946.)

Bom.
V of
1946.

WHEREAS it is expedient to amend the Bombay Sales
Tax Act, 1946, for the purpose hereinafter appearing;
It is hereby enacted as follows:—

1. This Act may be called the Bombay Sales Tax Short title.
(Amendment) Act, 1946.

Bom.
V of
1946.

2. In sections 5 and 8 of the Bombay Sales Tax Amendment
of sections 5
and 8 of
Bom. V of
1946.
Act, 1946, for the figures "10,000" wherever they occur,
the figures "30,000" shall be substituted.

43
/

STATEMENT OF OBJECTS AND REASONS.

In view of the representations received from the public that the limit of Rs. 10,000 of gross turnover, prescribed under the Bombay Sales Tax Act, 1946, for purposes of liability to tax, is too low, it is proposed to increase that limit to Rs. 30,000.

V. L. MEHTA.

Dated 3rd September 1946.

S 2001

Government of Bombay

LEGAL DEPARTMENT

[L. A. BILL No. XXIV OF 1946]

(As read for the third time and passed by
the Legislative Assembly on the
24th September 1946.)

A Bill to amend the Bombay Sales
Tax Act, 1946.

[MR. V. L. MEHTA, M.L.A.]

47

L. A. BILL No. XXIV OF 1946.

An Act to amend the Bombay Sales Tax Act, 1946.

(As read for the third time and passed by the
Legislative Assembly on the 24th September 1946.)

(As read for the third time and passed by the
Legislative Council on the 25th September 1946)

WHEREAS it is expedient to amend the Bombay Sales
Tax Act, 1946, for the purpose hereinafter appearing;
It is hereby enacted as follows:—

1. This Act may be called the Bombay Sales Tax Short title.
(Amendment) Act, 1946.

2. In sections 5 and 8 of the Bombay Sales Tax Amendment
Act, 1946, for the figures "10,000" wherever they occur, and 8 of
the figures "30,000" shall be substituted. Bom. V of
1946.

Bom.
V of
1946.

Bom.
V of
1946.

Government of Bombay

LEGAL DEPARTMENT

[L. A. BILL No. XXIV OF 1946]

(As read for the third time and passed by
the Legislative Assembly on the
24th September 1946.)

(As read for the third time and passed
by the Legislative Council on
the 25th September 1946)

An Act to amend the Bombay Sales
Tax Act, 1946.

[MR. V. L. MEHTA, M.L.A.]

The following Act of the Bombay Legislature having been assented to by the Governor on the 28th September 1946 is hereby published for general information.

P. N. MOOS,
Secretary to the Government of Bombay,
Legal Department.

BOMBAY ACT No. XVII OF 1946.

(First published, after having received the assent of the Governor, in the "Bombay Government Gazette" on the 30th September 1946.)

An Act to amend the Bombay Sales Tax Act, 1946.

Bom.
V of
1946.

WHEREAS it is expedient to amend the Bombay Sales Tax Act, 1946, for the purpose hereinafter appearing; It is hereby enacted as follows :—

1. This Act may be called the Bombay Sales Tax Short title (Amendment) Act, 1946.

Bom.
V of
1946.

2. In sections 5 and 8 of the Bombay Sales Tax Act, 1946, for the figures "10,000" wherever they occur, the figures "30,000" shall be substituted.

Amendment
of sections 5
and 8 of
Bom. V of
1946.

221

**L. A. BILL No. XXIV OF 1946 (A BILL TO AMEND THE BOMBAY
SALES TAX ACT, 1946).**

Mr. VAIKUNTH L. MEHTA (Minister for Finance): Sir, I beg to introduce L. A. Bill No. XXIV of 1946 (A Bill to amend the Bombay Sales Tax Act, 1946).

The Hon. the SPEAKER: L. A. Bill No. XXIV of 1946 (A Bill to amend the Bombay Sales Tax Act, 1946) is introduced.

Mr. VAIKUNTH L. METHA: Sir, I beg to move that L. A. Bill No. XXIV of 1946 (A Bill to amend the Bombay Sales Tax Act, 1946)* be read a first time.

Question proposed.

Mr. VAIKUNTH L. MEHTA: Mr. Speaker, Sir, in my brief career as a legislator, this is the shortest piece of legislation that I have seen. But not only is it the shortest piece of legislation that I have seen, but to my mind it is also the sweetest piece of legislation. I call it the sweetest because, in my opinion, it is always pleasant both for the administration and for the legislature to legislate in deference to public opinion, and I claim, as the Statement of Objects and Reasons states, that this piece of legislation has been introduced in response to public opinion, in response to a definitely expressed public demand. The Statement of Objects and Reasons is as brief as the Bill itself. The Statement of Objects and Reasons states that this Bill is undertaken in response to a generally expressed desire on the part of the public. A Press Note was issued by Government about the beginning of this month. In this Press Note the reasons why Government desire to yield to this public demand have been set forth. That takes me to the principle of the Bill.

The principle of the Bill, as I would explain it, is to raise the figure of annual turnover of a dealer which makes him liable for payment of tax from Rs. 10,000 to Rs. 30,000. It is proposed to raise this figure from Rs. 10,000 to Rs. 30,000, because a very large number of public bodies, merchants' associations, and individuals who sent in their representations when Government decided to enforce this Act, suggested

* Printed at p. 245 of the *Bombay Government Gazette*, Part V, dated September 12, 1946.

[Mr. Vaikunth L. Mehta]

that this figure should be raised. The present figure is Rs. 10,000 which gives in a daily turnover of Rs. 30 roughly for a year consisting of 300 working days. This is the figure of turnover which is also accepted in similar legislation enacted in other Provinces. But it was pointed out on behalf of those who made representations that this made the daily turnover so small that a very large number of petty dealers both in towns and cities and also in rural areas, might be brought within the purview of this legislation and might be made subject to the taxation which the Act imposed. The imposing of a liability for taxation is coupled with arrangements for the registration of dealers who are liable to taxation. Registration certainly entails a few liabilities, and it was pointed out in these various representations that Government received that it might be difficult for petty traders, either in towns or in rural areas, to fulfil these obligations. What are these obligations? After registration the main obligation that is cast on a dealer is to send, while paying the tax—he has to pay the tax—a statement which contains information about his turnover in respect of taxable articles in the previous quarter. There are certain articles which are taxed, and a few articles are tax free. It was pointed out in the course of these representations that it might be a bit of a hardship for the petty dealer to keep accounts such as would enable him to distinguish his turnover from the total volume of his sales of taxed articles and non-taxed articles. This is the main hardship to which, it was pointed out, the petty dealers who might be subject to taxation if the figure of Rs. 10,000 went through would be put. It was this hardship that they would be subjected to. Recognising the force of this contention and recognising the fact that the price level apparently does not show any tendency to go down, the Government of Bombay decided that it might be desirable, if this House agreed, to raise the figure of turnover from Rs. 10,000 to Rs. 30,000. This, therefore, is a piece of legislation which, as I said at the outset, is pleasant as it is being enacted in deference to public demand, a demand which, judging properly, is a justifiable demand and a demand which it would be right for Government and for the Legislature to accede to.

I have attempted to explain the principle of the Bill and the scope of the Bill. I will now turn to the operative part of the Bill which seeks to incorporate this change of the figure from Rs. 10,000 to Rs. 30,000 in all the places where that figure occurs. That figure occurs first essentially in regard to the liability for taxation. At other places it occurs only consequentially. There are three places where it occurs in section 5 and one place where it occurs in section 8.

I have attempted to explain the principle of the Bill. I have also explained its scope, and I have tried to set forth before the House the manner in which it is proposed to implement this principle. In view of this explanation, I hope that this piece of legislation will commend itself to the acceptance of the House.

Mr. MIRZA AKHTAR HASAN (Trade Unions of Seamen and Dock Workers): Mr. Speaker, Sir, I rise to oppose the Bill on the ground that the Hon. the Finance Minister, having argued in favour of it, has unfortunately found against it. I am very glad to hear these remarks today from the Treasury Benches that this intended legislation is in deference to public opinion. It will be my duty to point out certain hardships that will result from the provisions in the Bill. It is also regrettable that the Hon. the Finance Minister was content with merely a changeover from Rs. 10,000 to Rs. 30,000. I was expecting a figure of Rs. 3,00,000. That would have given some relief all round.

[Mr. Mirza Akhtar Hasan]

Sir, in the first place, nobody disputes that in view of the intended programme of post-war reconstruction, money is needed. But sound principles of taxation must be taken into consideration. The merchant community also feels the necessity of providing means for its reconstruction programme; but it is quite unfair that Government should be given a blank cheque.

The second point is that the Act itself is very harsh. No consideration is given to the fact that Bombay is the only Province which is heavily taxed; people of no other Province are taxed so heavily as this Province. It is also a very amusing situation that even Local Bodies, which are exempted from all taxes, are not exempted from this tax. Municipalities have to purchase so many things—building materials, medicines, and so on—which are all subjected to taxation, and only the Ministry will be able to explain this treble taxation.

The third point is that this Act was enacted by the Section 93 regime, when the Government had in its Budget a free balance of twelve crores of rupees. By "free balance" I mean that Government did not know how to spend it. I am subject to correction when I say that this Act was enacted at a time when Government had twelve crores of rupees in hand, and did not know what to do with it. Even when they had such a huge amount in hand, they wanted to hit the poor consumers—even those who wanted to purchase a match-box.

Again, Sir, no civilised Government in the world has ever levied a tax on literature. Here, under this Act, the tax is levied even on books, including religious books. May I mention for the information of the Ministry, that India is a very religious country, and every Hindu, Muslim, Christian or Parsi requires a copy of the Gita, the Koran, the Gospel, and so on? The Ministry has not taken into consideration even that. It wants to carry on a literacy campaign, but, at the same time, it wants to levy a tax on literature. It is a very peculiar position which I entirely fail to understand. I would be very grateful if the Ministry could give me an instance in any part of the world where a tax is levied on books of literature. Even in the Punjab and Bengal religious books are exempted from this type of taxation. I have no idea about Madras.

The method of taxation should also be so easy and convenient from every point of view that its payment is not felt by the person from whom it comes.

Again, I find that Stocks and Shares are excluded from the purview of this tax. I do not know why. Perhaps it is the intention of the Government to encourage forward contracts in this Province, and I am sure the Hon. the Finance Minister will tell us why shares have been exempted from this tax.

I find from a Press Note that the Ministry has been very kind to take away from the ordinary officers the power of seizing books of account and to transfer it to Commissioners and Deputy Commissioners. It comes to this, that even the commerce of this Province is under the administrative control of the Ministry. This is the only conclusion I could draw. In fact, when we are fighting for independence, we are not even free in the matter of trading; the sword is always hanging over us; some time or the other a Deputy Commissioner may come, or even some mischief might be played by one's enemy by way of giving a false report. Of course, one who is honest has nothing to fear, but the fear remains that a man has to manage in such a way that his accounts are kept up-to-date—which compels a man to keep

[Mr. Mirza Akhtar Hasan]

additional staff, which, in its turn, means unnecessary additional expense. People have been complaining against the income-tax, as, in order to comply with the Act imposing that tax, they have to keep accounts; and now this will be another kind of account about which people will grouse.

An outturn of Rs. 30,000 a year means that a man's average daily sale will come to about Rs. 80; and looking to all the controls that have been imposed, in a fair-price shop a man will not get more than 10 per cent. by way of profit, that is, he will get about Rs. 8 per day. After making allowances for damages, publicity, service, etc., as also a clerk's salary, there will hardly be any margin left for himself. The present high cost of living will add to his difficulties, and if he has not observed birth-control, we can imagine his fate.

Lastly, Sir, the clerks who are engaged must know English. Many questions were put to me as to whether accounts could be maintained in Urdu, Kannada, or in any other regional language. There are people who are writing their accounts in Arabic, as also in Persian. Almost all the Iranis are maintaining their accounts in languages which are foreign to India. I, therefore, request the Hon. the Finance Minister to make that point clear.

These are some of the problems that this taxation brings in its wake. I can only give a reference, in this connection, to the Chimney Tax that was levied in England and the havoc it brought about.

In view of all these things, it is my earnest appeal to the Hon. the Finance Minister to satisfy the public demand to the full extent. He admits that the people are not satisfied—and they are rightly not satisfied—with this type of taxation. There is no mention of this tax in the Congress Election Manifesto. So, as it is said that this amendment has been moved in deference to public opinion, why not go to the full extent that the people want? The Hon. the Finance Minister should rise to the occasion, should stand on his own, and should come forward and plainly explain the feelings of the people here.

In view of all these facts, I suggest that the figure should be Rs. 3,00,000 instead of Rs. 30,000. I worked out the calculations and I find that a man whose turnover is only Rs. 10,000 will hardly be a man who will be in a position to pay the tax with ease. So it will be taxing the poor man. It will be a great human service to raise the figure from Rs. 30,000 to Rs. 3,00,000 and thus release the poor man from the burden.

Mr. ABDUL SATAR A. GANDHI (Surat District): Sir, I rise to oppose the Bill that has been brought in by the Hon. the Finance Minister. The Hon. Minister has commended this Bill to the House because it is the shortest and the sweetest. It is indeed pleasing to get the shortest Bill from the shortest man on the Government Benches. I have always looked upon the Hon. the Finance Minister with respect, because I have considered him as a small great man of this Province. However, when he describes the Bill as the sweetest, I cannot agree with him.

There are no reasons why a Section 93 measure should have been adopted by our popular Government. Of course, whenever we use the expression "popular Government", it is to be understood as the "so-called popular Government". The Section 93 Government was not a popular Government; and why should a measure of that unpopular Government be adopted without bringing that before this House?

Abdul Satar A. Gandhi]

Unfortunately it was that the Hon. the Finance Minister, while offering his Bill, did not even take the trouble to justify the Bombay Sales Tax Act of 1945 as such. He said that he brought this change in deference to public demands. I must ask with due deference, respect, and honour to him whether there were not other demands of the public as well. Is there not a demand that this Act as such should go? Why should he not take that demand of the public into consideration? Since the Hon. Minister wants to respect the public demand, I would request him to take into consideration the public agitation against this notorious Sales Tax as such. The various points that have been made out by the hon. Member Mr. Mirza also call for the serious attention of Government. I have no further remarks to offer, but I request the Government Benches to reconsider the whole thing, as it is still not too late for doing so.

Mr. S. N. ANGADI (Belgaum South): Mr. Speaker, Sir, I rise to support this short piece of legislation sponsored by the Hon. Finance Minister, and in doing so, I feel very happy. When a taxation measure is for consideration before the House, we must always take a view of the financial situation of the Province. Unless we have a clear picture of this, we should not rush either to oppose or to support the measure.

When in the July session the Supplementary Budget was placed before the House, that budget was to the tune of Rs. 5½ crores. It was never explained at that time how those 5½ crores were going to be met. But now in the Press Note which has been placed in the pigeon hole of every hon. Member, the financial position of the Province has been made very plain. It is true that the income of the Province as a whole has increased. At one time, when I was a member of this House, the income of the Province, which then included Sind, never exceeded Rs. 14 or 15 crores; but now because of inflated incomes from Excise and other sources, the income of the Province as a whole has increased and we have nearly Rs. 30 crores of income so far as Bombay Province is concerned. But these Rs. 30 crores had been already budgetted for by the Advisers' Government. So, the Rs. 5½ crores which was sanctioned in the Supplementary Budget is an additional amount. That additional amount has been sanctioned by this House to be spent for the good of the Province. The important items were food procurement, the subsidized milk scheme, increased expenditure on education and some other essential items; and that is why the House gladly accepted the position and sanctioned this Rs. 5½ crores. But the question is, how to get all this money and where to get it from?

Now, many hon. Members often make a reference to the Congress Election Manifesto. Some hon. Members said "Taxes were never mentioned in the Congress Manifesto and so, why should the Government come forth with a taxation measure?" I do not think any manifesto ever mentions taxes. If taxes were not mentioned there, in the Congress Election Manifesto there were many things which were mentioned which did require money. If hon. Members had carefully perused what the Manifesto suggested, every one of them would have been satisfied that a lot of money would be required to carry out all those measures. That is evident simply from a perusal of the Manifesto itself. Even in this House you will find that Bill after Bill is being passed into law, and everyone of them will entail some fresh expenditure. We have also been responsible to a certain extent for increasing the expenditure of the Province, e.g., the Police Act, the Debt Relief Act, etc. These are items which were never expected, but there we are. Our activities are not going

[Mr. S. N. Angadi]

to be at a standstill. They are going to expand, and as we are going to expand activities, naturally we shall have to find out new sources of taxation. I think the Hon. Finance Minister will be satisfied with this taxation measure. He will have to come forward with many more such Bills if he wants to do good to the Province. We all know that he has a very ambitious programme and that the course of the next five years he is going to spend Rs. 60 crores, of which he has only Rs. 12½ crores, a figure which was referred to by one of my hon. Friends as a free balance. I think that is what he referred to as a free balance, viz., Rs. 12½ crores, and that is intended to be spent on the Reconstruction Department. There is a contribution of nearly Rs. 17½ crores which the Government of India will give. So, that makes about Rs. 30 crores in all. In addition, you will have to find out another Rs. 30 crores. Possibly, this 30 crores will be made up, partly by fresh taxation and partly by borrowing. I think that is also suggested by the Hon. the Finance Minister.

So, in these circumstances, I think the House will have to be prepared for some more new taxes. Unless we are prepared for that, whatever we plan by way of doing good to the people of the Province will not be possible. Therefore, the question is who should pay these taxes. Only those who are capable of paying must be made to pay. That is true. I do not conceive of any taxation measure which does not ultimately, directly or indirectly, fall on the consumer. Take, for example, even the income-tax, which is supposed to fall only on the rich people. After all, those who pay big sums as income tax make all their profits out of the pockets of the consumers. Therefore, I do not conceive of any taxation measure which does not ultimately fall on the consumer.

We have to get ourselves reconciled to many taxation measures which will bring in more revenue to the Provincial exchequer. There is this ambitious scheme of Rs. 60 crores. I do not know how the hon. Member intends to distribute the Rs. 60 crores between the different parts of the Bombay Province. But that is a matter to which we can come later on just on the eve of the Budget session. However, it must be remembered that these Rs. 30 crores have got to be made up.

This Sales Tax—I agree with the description given by the Hon. Finance Minister—is as short as well as sweet measure. It is sweet in the sense that the Finance Minister has tried to make it as sweet as possible. There are certain outstanding features in this Bill whereby you can describe it as a very sweet measure. One of such features is that it has tried to see that food and other articles of consumption, which constitute a major item in the cost of living of the poor man, are exempted from the tax. Similarly, he has given some concession to the agriculturists also. He has, I suppose, under this taxation measure exempted the implements which are ordinarily required by the agriculturists. So, these features really make it a sweet measure. Of course, no tax could be very sweet, but as far as it lay in his power, he has endeavoured to make it as sweet and as palatable, as possible. More than that no Finance Minister can be expected to do. So, in these circumstances, I do not think the Hon. the Finance Minister has exaggerated at all in describing the measure as a sweet one. It is a correct description.

The question is whether we should not have this tax. It is true there is a storm of protest from the mercantile community. I think the opposition was based not so much because it involved a departure in principle, but because the mercantile community was under the impression—and very probably quite correctly—that the

[Mr. S. N. Angadi]

officers who will be concerned in running this new Department might pounce upon them and create a lot of trouble for the ordinary merchant.

The Hon. the SPEAKER : The hon. Member, I believe, will take some more time. The House will, therefore, adjourn now and re-assemble at 2-30 p.m.

(Recess from 1-30 p.m. to 2-30 p.m.)

Mr. S. N. ANGADI : Mr. Speaker, Sir, I was just making a reference to the opposition to the Sales Tax Bill from the mercantile community. They were not opposed to the taxation. The opposition came mainly on the ground that since we are neck-deep in an atmosphere of corruption all round, when every conceivable measure of oppression and harassment is generally resorted to, this Bill should not have been brought in. But the Hon. the Finance Minister has given an assurance that as far as possible it will be seen that there is no harassment to the mercantile class, and one of the reasons for raising the figure from Rs. 10,000 to Rs. 30,000 is to give protection to small merchants. In this Bill there are provisions about keeping accounts, etc., and submitting returns. Government is aware that there are a number of small merchants who are illiterate and who carry on trading in their own way, and it is to exclude these small merchants who are illiterate and who will not be able to keep accounts or submit returns that the turnover basis has been raised from Rs. 10,000 to Rs. 30,000. Thus there is no intention of harassment, and I think the raising of the limit will go a long way to allay the fears in the minds of the mercantile community. This is a very good feature of the Bill.

Then, the Sales Tax has been adopted by more than one Province. It has been in operation for the last seven years in the Presidency of Madras and there the revenue which that Presidency is getting from this source is nearly five crores. There is one redeeming feature distinguishing our Sales Tax Act from the Sales Tax Act which has been adopted by the Madras Presidency, and it is this : that while in Madras the Sales Tax is applied at almost every stage of the sale, according to this Act, as the Finance Minister will point out, the tax will be applied at only one stage of the sale. This is also a point in favour of the mercantile community. Though this Act at present is intended to bring a very small revenue, it might in the long run bring a large revenue, and that is exactly the kind of measure which this Legislature should always bring forward. As this is going to be an expanding source of revenue, I welcome the measure. It is said that ultimately this measure will give us a revenue of 10 crores, and if that happens I shall be very happy, because we have to enforce prohibition in this Province and we are keen about it.

Again, so far as the Bombay exchequer is concerned, Excise is now a major source of revenue. We are collecting nearly Rs. 10 crores out of that source. Besides, prohibition is a measure that is doubly expensive. Not only you lose the revenue, but also, in order to achieve the goal of prohibition, you have to spend a lot of money. Therefore, if you are going to lose 10 crores, you must get that much and something more from some other source. That is why we are anxious to try and find out new sources of revenue. There are some sources which can be tapped by the Bombay Government, but the previous Government have not done so. They have hit upon this source for the present.

[Mr. S. N. Angadi]

Another objection raised by some hon. Members was that because this measure was sponsored by the Advisers' Government, this Government should not adopt it. Simply because it was sponsored by the Section 93 Government, it does not stand to reason that this Government should not adopt this measure. This is not a reasonable argument and is not logical. As long as it gives money to the exchequer, there is no reason why it should not be adopted. Moreover, the measure can be easily put into operation, and the burden of taxation will fall on the consumer only indirectly and not directly. Such a measure of taxation is always worth having, and it is a good point in favour of the Bill.

It has been contended that Bombay Province is the most heavily taxed Province. That may be true. But I take it as a sign of prosperity rather than of poverty, though I would like that that prosperity is evenly spread among the population of the Province. It has also been suggested that local bodies might be taxed. That would be an indirect means of taxation and so it would not be a good thing.

Therefore, looking to the financial picture of the Province, I think we should be willing to vote for this measure. As I have already said, this measure has been made as soft, sweet, and palatable as possible. I do hope that, in these circumstances, this measure will not meet with any further opposition from the hon. Members of the Opposition.

With these remarks, Sir, I am glad to support the first reading of this Bill.

Mr. J. H. SHAMSUDDIN (Kanara District): Mr. Speaker, Sir, I rise to oppose the first reading of the Bill. In doing so I find myself in an uncongenial and anomalous position. This Bill seeks to give relief to a certain section of the population by increasing the taxable limit of the individual or the firm concerned. In such circumstances, any opposition to the Bill is liable to be misconstrued. If at all a taxation measure is to be opposed, it should be opposed on the principles of taxation involved, or on account of the inherent defects in the nature of the taxation proposed. But, here we find ourselves, as I said, in an anomalous position in the sense that we are opposing a measure which seeks to raise the taxable limit from Rs. 10,000 to Rs. 30,000 which gives relief to a certain section of the population at the cost of Government losing some of its revenue receipts.

I feel individually also in a greater anomalous position, because as you are aware, Sir, I have already tabled a resolution suggesting the abolition of the Sales Tax. Therefore, if I support the Bill, then I shall be placing myself in an inconsistent position inasmuch as I wish to advocate total abolition of the tax. If I accord my support to the Bill it will indirectly mean that I concede the principle of taxation. I do not grudge any source of revenue to the present Government or to any Government which embarks on an ambitious programme of reconstruction and development. The Hon. Finance Minister remarked that this Bill was sweet. My opposition to the principle of this tax, and therefore to this piece of legislation, arises from the fact that he has not made it sweeter. I am opposing this measure because I feel that one of the principles upon which the whole edifice of democracy is based is being violated. That principle is that there can be no taxation without representation. From this principle we deduce that there can be no taxation without consultation with the representatives of the people concerned. I may, therefore, be permitted to extend the scope of my speech so far as this Bill is concerned. I believe that the House will have no objection if I digress into

[Mr. J. H. Shamsuddin]

general principles of taxation. I believe that this is the intention of Government as well, because I find that a pamphlet has been placed before me which reviews the position of the tax in all its aspects. I think, therefore, that that is an indication of Government's intention that the tax should be reviewed. I believe that they have now realised,—though it is too late; they ought to have realised it when they came to this House for supplementary grants—that no tax can be levied by any democratic Government without the consent of the representatives of the people. I congratulate the Hon. Finance Minister and the Ministry on having accepted this principle, belated though it is.

As we know, the Sales Tax Act was passed by the Section 93 Government just on the eve of the revival of responsible Government which was suspended, under unforeseen circumstances, for a period of six years. Therefore, it was only reasonable to assume that the popular Government would place the Act authorising the levy of the Sales Tax before the legislature at the proper time. And the proper time, according to me, was when Government came to this House for supplementary grants. If Government think that the passing of this amending Bill will mean that the House agrees to the principle of the tax, they are mistaken. I do not think that that inference can be drawn. Anyhow, ever since the idea was conceived, the proposal to have a Sales Tax has aroused considerable opposition from all quarters of the Province. The tax was conceived, if I remember aright, in the year 1937, prior to the assumption of office by the Congress. Prior to the Congress Ministry there was an interim Ministry, and in the White Paper that gave an indication of the financial position of Government and of the policy of that interim Ministry, the Sales Tax was shown as one of the sources of revenue for the Province. If we refer to the debates of the Budget Session of 1937-38, we find that the whole question had been discussed in detail then, not only by the then Finance Minister, but by the Cabinet, and a categorical statement was made on the floor of the House that the Cabinet had come to the conclusion that the tax itself was bad and it should not be levied. There was a full-dress debate on the question. There were several interruptions when the Finance Minister was on his legs to present the Budget, and one of them was from Mr. Jamnadas Mehta who was the originator of the idea of Sales Tax. As the Finance Minister was reading something from a document, Mr. Mehta sought the intervention of the Chair and said that nothing should be read from a document. The Minister pleaded, and rightly so, that he was entitled to read it as that was an enunciation of the policy of the Cabinet in regard to financial matters. It was in that enunciation of the policy of the Cabinet that we find that Government had come to the conclusion that the Sales Tax was bad and should not be levied. There were several other members who spoke on this point, and all of them condemned the principle and the method of imposing the Sales Tax. I am not going to quote from those debates, but I may be excused if I say that one of the strongest opponents of the tax was no less a person than the hon. Member who now occupies the Chair in this House. You, Sir, had yourself advanced very cogent and sound arguments against the tax, and I will draw the attention of this House to the able exposition of the defects pointed out by you when you were not occupying this august Chair. I, therefore, feel that the tax should not have been levied, though I do not grudge the Treasury Benches any amount of money by taxation.

I feel that the tax is bad for several reasons, though it has been adopted by several countries outside India and by several provinces in India too. If we look to the

[Mr. J. H. Shamsuddin]

history of the tax, we find that it was current as far back as the thirteenth century in Spain. We also find that a number of economists and experts on matters of public finance denounced this tax with the result that it does not find a place in the mother country of democracy, that is, in England, though we find that the tax has been levied in several countries. For example, Germany adopted it in 1917, and in 1937 several Continental countries and several States of the United States of America adopted this tax. But the British Government or the British democracy did not think it fit to adopt the tax for many sound reasons. One of those reasons is that this tax is an indirect tax, and they consider that they should not welcome any system of taxation which recommends indirect taxation. The consequent shifting of the burden of the tax from the taxpayer on to the consumer is inherent in this system of taxation. Even though Government has taken care to enlarge the schedule by giving exemption to a number of articles, the fact remains, in spite of this long list of exemptions, that it ultimately affects the consumer directly and nobody else. Of course, the Deputy Speaker stated that human ingenuity had not been successful in devising a system of taxation which does not ultimately lie on the consumer. It may be true to some degree, but we must see that at least at the initial stage the tax does not fall on the consumer. We know by the working of the Act in Madras and Bengal that the tax is added to the price of the article taxed at the time when the article is sold. That is not the case with regard to income-tax. In this case, the merchant will add to the price of the article the amount of the sales tax. Naturally, at the very source of its collection the tax is being shifted on from the seller to the consumer. This is the most objectionable feature of the tax and recourse should not have been had to it.

It has been admitted by Government, by the amendment of the rules, that the tax will cause harassment and inconvenience to the traders. It will make their tricks or secrets of trade open. The traders may be put to certain inconvenience and some of their trade secrets may leak out, though a provision is made in the original Act that the officer who may, in the course of his duties, obtain knowledge of such trade secrets, shall not disclose them; and penalty is also provided for disclosure. But in due course of time, the information may filter out and the legitimate designs of the trader may be frustrated. Here I am reminded of an incident that happened about this taxation. One Finance Member of the Government of India in the old regime had certain proposals—

The Hon. the SPEAKER : Taking into consideration the opinions which have been expressed outside this House, I do not really want to prevent some debate on the general principles and scope of this Bill, but after all we have got to confine ourselves to the principle and scope of this Bill. To-day, rightly or wrongly, this has become a good Act and an effective Act, and the question before the House now is the amendment to the Act. This amendment is confined to two sections which Government has thought it necessary to amend. These are sections 5 and 8. Section 8 is merely a corollary to the thing mentioned in section 5. Section 5 is the real section. It is a section dealing with the incidence of taxation, and section 8 refers to the registration of the people who are to pay this tax to Government. I do not want to prevent hon. Members of this House from referring to the general principles of this Bill, but after all they have to put their own limitations on the debate. I expect that hon. Members will not require me to intervene at each and every stage and that they will discuss these principles within limits. Bearing these facts in mind, the hon. Member may proceed with his remarks.

231

Mr. J. H. SHAMSUDDIN : Sir, I am fully conscious of the limitations and I shall keep myself within the bounds prescribed by you. I was arguing that an officer may come across some trade secrets and they may leak out, and thereby the trader may be put to a loss. I oppose this Bill on this point also.

However, in spite of the inherent defects of the tax, the tax may become a good tax if the purpose for which the amount is to be utilised is the good of the Province. It is being pointed out by Government that the money realised by this source will be utilised for the purpose of reconstruction and for extending the Province's nation-building activities. This very consideration, Sir, should have compelled Government to bring the whole Act before the House, explaining the purpose for which the amount was required and the way in which it will be utilised, because the agency which raised this amount had a different conception of the reconstruction of the Province and they wanted to utilise this amount for schemes which they had propounded. It is obvious that the Section 93 Government had its own plan of reconstruction and development for which it tapped this source of income, but the present Government, after coming into office, rightly did not see eye to eye with the principles of that programme and began to reshape and remodel them.

I hope, Sir, I will be allowed to disgress a little. If we are to consider how the money realised by this taxation is to be spent, the whole budgetary question will come in, and I am afraid I shall be transgressing the limit if I discuss this whole question now. As I said, the amount to be realised by the system of tax, however defective it may be, is to be welcomed if it is spent for reconstruction and development of nation-building activities. The amount that will be realised by this tax during the year had already been earmarked for the purpose by the Section 93 Government, whose policy and programme are not in consonance with the policy and programme of the present Government.

Sir, I may mention that the whole object and conception of the Budget of the Section 93 regime is fundamentally wrong, but perhaps the Ministry will say that they were helpless as they were forced to bind themselves to a system which was not in consonance with their policy. If we take the supplementary grants, in spite of the fact that they were voted by this House, the fundamental position remains the same, and I find that the Government must have already committed themselves to several schemes which, examined in the light of their own principles, may not find favour with them. Let me take an illustration from the last Budget. I shall take a very common but an important item of expenditure from the last Budget, viz. Agriculture. If we refer to items M and N, which relate to Special Development and Reconstruction schemes, which are very important and which have a great bearing on the national life of this Province, it will be found that the whole outlook is different from that which the present Government professes ; almost all the schemes that have been propounded under these items relate to the betterment and resettlement of the soldier rather than to the betterment of the lot of the people as such. I need not refer the House to the several passages that govern the outlook of the Budget provision of the Section 93 Government. I have got a pamphlet here, under the title : " Post-War Reconstruction and Bombay Province ". It gives an indication of the items of agriculture and reconstruction that govern the Budget, and it is clear therein that the most important items are in the " concentrated areas " selected in the Province. The whole principle guiding the schemes to be evolved and put into practice in the concentrated areas is that " a soldier is a member of a family, and anything done for his betterment helps in the betterment of the country

[Mr. J. H. Shamsuddin]

as such". This is re-affirmed in another pamphlet "Planning for the future of Bombay's Countryside". These are the principles which have guided the Section 93 regime in framing their Budget.

If I take the supplementary demand of 5½ crores of rupees, I find that no new fundamental change has been introduced. Let us take item No. 40—Agriculture, and see the provisions made: "M—Special Post-War Programme" and "N—Reconstruction Programme". It will be found that there is nothing but extension of water facilities or construction of certain new wells, which was left blank in the original Budget, and if we refer to page 387 of the Civil Budget Estimates for 1946-47, we find the item "Scheme for construction of new wells and tanks and repairing of old tanks", but the figures are left blank. So the supplementary grant has done nothing but filling up the blanks.

Sir, the whole position may be summed up thus: The Government may be committed to several schemes which, according to their own principles, may not be good or may require fundamental modifications, but once they put them into effect, I think it will be difficult for them to retrace their steps without loss of public revenue or the loss of money that has already been spent.

For these reasons, Sir, and on account of the several inherent defects in regard to the collection of the tax, the difficulty of keeping accounts, etc., I feel that I should oppose the Bill.

Mr. S. A. DANGE (Bombay City and Suburban Textile Unions): Sir, I rise to support the amendment, but oppose the principle. That may be a contradictory position, but I have to take that position. I support the amendment in so far as it relieves the small trader from the operations, not of the Act, but of the bureaucratic machine that will operate this Act. The amendment certainly is of some benefit to the small trader. But when I am opposing the principle, I am taking a certain view-point. I find that the idea behind this taxation is to provide funds for social reconstruction, and I also find a mention, in the digest that was circulated to the members, on the Bombay Sales Tax, that such schemes will be financed from recurring sources of revenue. I wish to draw the attention of the Treasury Benches to a few things.

Programmes of social reconstruction are necessary, have to be undertaken, and will be undertaken. Many of them are being outlined, and good *communiqués* are being published of such schemes. The point is that when questions of financing these schemes are being raised, some essential things either are omitted in the reference to financing, or perhaps it is not considered necessary that they should be brought forward for public attention. For example, take this Bill. Now, a tax on consumers, a tax on sale of goods, is necessarily resorted to only when you want to limit the circulation of the goods, or when the circulation of the goods is so plentiful that the State can charge certain incidence of taxation. In this country, the position is that we are in a condition of poverty of goods and not plenty of goods. Therefore, any taxation on the circulation of goods now is bound to lead to a severe limitation of the circulation of such goods. The fact is not disputed, and it has been accepted, that there is bound to be some limitation in the circulation of goods. It appears that this tax is undertaken with the view that the revenue that would be derived from it would be injected back into schemes of production, which would raise the level of production and thereby cut out the scarcity that is now prevailing. That perhaps

233

[Mr. S. A. Dange]

is the scheme—that the revenue derived from such taxes will be injected back into schemes of production by which the production of goods would be raised and thereby the community will be benefited. But production in the Province cannot be raised by merely getting revenue from recurring sources of revenue; such as the sales tax. What strikes me most is the absence of any mention about the nationalisation of certain key industries, which forms part of the programme of the Treasury Benches and their policy, and which forms part of the programme and policy of my Party also. There is no mention of this in the Press Note before us or in the text of any schemes of social reconstruction as they are presented today before the public. Therefore, I would draw particular attention to that point.

Why is not nationalisation of certain key industries as a source of financing the activities of Government in the sphere of social reconstruction brought forward? For example, the Treasury Benches are fully aware that 75 per cent. of the textile mills in the whole country is located in the Province of Bombay. I would certainly wish that something is being considered, if not on a provincial scale, at least on a national scale, because the national centre and the provincial centre are not isolated from each other today, as far as I can understand the position. What is being considered in that sphere? We have heard about the provincialisation or nationalisation of the transport services in this Province. Are such schemes being outlined? Because that would be a real source of revenue. For example, take the transport services in Bombay. Rs. 48 lakhs per annum is the net revenue of the B. E. S. & T. Co. and if we can provincialise or nationalise that source of revenue, we can cut out many items of taxation that are presented before this House. Therefore, I have got up only to bring to the notice of the Treasury Benches that if they merely depend upon a form of taxation which will only limit the circulation of goods or services to the community, that will be a burden on, or rather an increment to, the poverty of the people and not an addition to their wealth. Therefore, such methods of taxation should be resorted to as little as possible; in fact, they should not be resorted to at all. Of course, sales tax was being resorted to during the war by almost all the countries in the world. But here we are now at the end of the war and are resorting to this tax in order to build up schemes of post-war reconstruction.

There is another point which I want to raise in this connection. I find in the digest a mention that the Bombay Sales Tax is a tax on the sale of goods; and the definition of goods does not cover stocks, shares and securities. I submit, Sir, that this sacredness that is attached to stocks, shares and securities should be abolished. The sales turnover on the Bombay Stock Exchange runs into crores. Why is the turnover on the Bombay Stock Exchange held so sacred that it is not taxed? There may be some explanation and I should like to hear it from the Hon. the Finance Minister. The transactions on the Bombay Stock Exchange are certainly a very handsome source of taxation. It is a 'very sweet place' too for the tax to be imposed. Very sweet indeed, but that is being omitted from this scheme of taxation.

If you will permit, I can quote you the prices of such securities. Take, for example, the index of the cotton securities. If we take 1939 as the basis and if it is 100, the price of the security on the Bombay Exchange has gone to 350. This is for cotton securities alone, and there are many securities like this. I do not want to baffle the House with the abstract as it is published. The Calcutta digest shows the prices of shares in the various industries and of securities. If 1939 with 100 is taken as the basis, the prices of the different shares have gone up to 320, 259, 350 and so on. Therefore, if you take the total turnover on the Stock Exchange, it will provide

[Mr. S. A. Dange]

a handsome source of revenue. I would suggest that to that extent the incidence of the sales tax should be reduced by transferring the taxation to transactions in securities and shares.

Similarly, the operations on the Cotton Exchange, the Bullion Exchange etc. They are carried on by some of the most patriotic gentlemen though in the past they resulted in considerable export of gold from this country. They are carried out by patriotic firms and I need not mention their names. They are so famous. The export of gold was also carried in ships which bear the stamp of 100 per cent. patriotism, e.g., of the Scindia Shipping Co.

The Hon. the SPEAKER : I would again draw the attention of the hon. Member to the fact that all such remarks, if they are passing remarks, may be really relevant, but if they are going to be main arguments, I think, they would not be relevant.

Mr. S. A. DANGE : It has just now been suggested to me that I should bring these points at the time of the Budget. If I am there at that time, I shall certainly do so.

In regard to what you have said, Sir, let me submit that what I was saying was a mere passing remark and not the main point. I had mentioned the various sources of revenue that should be tapped. The Bullion Exchange and the export trade carried on in bullion by patriotic firms could be taxed. I also mentioned the Cotton Exchange for consideration. The Cotton Exchange, the Stock Exchange, and the Bullion Exchange were not a part of the nation-building activity and they had helped not even one nation-building activity. If the rich reserves they build up, are to be called a nation-building activity, I do not know! Therefore, I would suggest that all these exchanges in the Province of Bombay should be taxed heavily, and their surpluses wiped out completely and the poor consumers relieved from the incidence of taxation of the type that is sought to be imposed. If that were done, then I think much of the harassment would disappear, and the State would get the necessary amount of revenue to carry out its nation-building programme.

With this reservation, I support the amendment which Government has moved to the Sales Tax Act.

Mr. VAIKUNTH L. MEHTA (Minister for Finance) : Sir, in replying to the debate I do not know if I shall be wrong if I claim that actually the principle of the Bill has not been opposed by any of my hon. colleagues who have spoken before me. In saying so, I do not exclude my hon. Friend who represents Textile Unions, Labour, Mr. Dange, although he said he objected to the principle of the Bill but not to the actual amendment. The only hon. Friend who objected to the raising of the limit, which really represents the scope of this Bill, from Rs. 10,000 to Rs. 30,000 was the hon. Member from Bombay, Mr. Mirza Akhtar Hasan, who, I am sorry, is not present in the House now. But between Mr. Mirza Akhtar Hasan and myself there is just this one little difference of a dot. I am reminded of a very distinguished Chancellor of the Exchequer in England—no less a person than Lord Randolph Churchill, father of the great Mr. Winston Churchill, who won the war for England—who once said these dots really do not matter ; so that I would have convinced him that 30,000 was as good a figure as 3,00,000. But though there cannot be much difference for the Chancellor of the Exchequer of a rich country like England between Rs. 30,000 and Rs. 3,00,000, for the poor Finance Minister of a poor Province like Bombay there is a great deal of difference between Rs. 30,000 and Rs. 3,00,000.

235

[Mr. Vaikunth L. Mehta]

That brings me to the point which has been raised by my friend the hon. Member from Kanara (Mr. Shamsuddin) namely, that he hesitates to support this Bill because he feels that if he did so it might be depriving the Government of a large slice of its revenues. I think that is the line of argument he adopted. That, I think, is a point which needs to be stressed when I reply to the debate. Actually, what is going to happen if we adopt this Bill is that we shall be able to afford relief to the petty dealer. As my hon. Friend Mr. Dange put it, I do want to relieve them from the attentions of what he calls the bureaucracy. It will relieve them of certain obligations that are imposed upon them as registered dealers. It is this inconvenience, and if we may call it so, this hardship, that is proposed to be removed by the introduction of this change, the change in the figure from Rs. 10,000 to Rs. 30,000. It is too true, Sir, that if this measure goes through, there may be a certain number of articles which are produced by small producers, there may be a certain number of articles which are imported by non-registered dealers from outside the Province or from other countries, it is possible that some of these articles throughout the process of passage from the producer or the importer down to the ultimate consumer will not be taxed. But according to the very rough calculations that we have made at the outset, the loss of revenue should not amount to more than 1 per cent. of the revenue which was estimated when the figure was put at Rs. 10,000. I for one do not regret if, as a result of the raising of the figure from Rs. 10,000 to Rs. 30,000, the products of cottage industries can be passed on to the consumer cheaper than the products of organised large scale industries. I also shall not regret if, as pointed out by my hon. Friend Mr. Mirza Akhtar Hasan, the adoption of this measure tends to help the decentralisation of commerce. That is decentralisation of commerce in the sense of giving greater encouragement to small dealers as against the large-scale organised traders. If that is one of the consequences flowing in from the adoption of this measure, I for one shall not regret it. That being the position, Sir, when I review the speeches made by the hon. Members who have spoken on this motion, I feel that on the principle of this Bill there is general agreement.

Now, having said this, I shall be failing in my duty if I did not reply to the other points that were raised in the course of the debate. If I may say so, Sir, I do not wish to anticipate another debate that may take place on this very subject on the non-official day when it is likely that we may have to discuss a Resolution which has been tabled on the subject of the enforcement of the Bombay Sales Tax Act. But so many important issues have been raised in the course of the debate that, as I said, I shall be failing in my duty if I did not attempt to deal with at least some of these.

I do not know, Sir, where I should start. But I think the lead given by the last speaker, namely, my hon. Friend Mr. Dange who raised certain fundamental questions, I might make as my starting point. I shall make it my starting point in the sense that I shall treat it as a spring-board from which I can go on to another subject. I do not propose at this stage to go into the very controversial region of nationalisation either of land—he did not mention land but he could have—or of industries, or of trade and commerce. I know, Sir, that in regard to one of the concerns to which he made a reference, namely, the running of the transport services in Bombay and the supply of electricity in Bombay, the Government of Bombay holds very definite views which have been communicated ere now to the local authority for the City of Bombay, viz. the Bombay Municipal Corporation. I am certain, Sir, that in accordance with the programme which the Congress has chalked

[Mr. Vaikunth L. Mehta]

out for itself, the key industries will come in for nationalisation. But there will be a considerable amount of disagreement between my hon. Friend Mr. Dange and my hon. Friend Sir Sorab Saklatvala, who is not present here today, whether the textile industry is or is not a key industry. But I may assure him and the other hon. Friends in the House that in regard to this question the present Ministry will stand by every word that is written in the Election Manifesto of the Congress.

In dealing with the principle of the Sales Tax, the hon. Member Mr. Dange referred to sources of revenue which, to him, seemed untapped today. I am very grateful to him for the tips that he has given to me, and I may assure him and the other friends that these tips will be taken full advantage of when the budget for the Government of Bombay is framed and presented to this House in February next. As it is, there is a certain amount of revenue derived from the operations on the Stock Exchange through special provisions in the Stamp Act. And while replying the other day to an interpellation which suggested that further revenue should be derived from this source, I said, and I stand by it, that the suggestion was noted and that the method proposed by the hon. Member who put the question would be examined. Very similar is the case with regard to the operations on the other Exchanges, and I hope that along with Mr. Dange the rest of the House too will support me when I have to come to the House for powers to seek revenues from these other sources to which a reference was made by the hon. Member Mr. Dange. But as he and my hon. Friend from Kanara (Mr. Shamsuddin) observed, very much depends on the manner in which Government propose to utilise the revenues that they seek to derive by imposing this or any other form of taxation. I saw that my hon. Friend Mr. Shamsuddin was very critical of the Post-War Reconstruction Programme of the previous Government of Bombay. If I may say so, I was equally critical of that programme before I came to occupy these benches, and I may say that I am no less critical now.

Mr. S. A. DANGE : It was no programme at all.

Mr. VAIKUNTH L. MEHTA : In reply to the interruption, I may say that there is a programme before the Government of Bombay, and that programme will be unfolded in due course.

Mr. S. A. DANGE : That is your programme, not the previous Government's.

Mr. VAIKUNTH L. MEHTA : Whether it will be unfolded before the Budget Session or at the time of the Budget Session is more than I can say at present. I may assure all hon. Friends on both sides of the House that in that programme the point of view that the Government will keep in mind will be the point of view which Mr. Shamsuddin emphasised, namely, the relief and the improvement of the condition of life and work of the common man, whether engaged in labour in fields or factories. That being the underlying policy which will govern the drawing up of the programmes by the Government of Bombay, I urge with all the force at my command that this Government's request for additional revenues should not be turned down.

My hon. Friend Mr. Mirza Akhtar Hasan put forward the view that the Government of Bombay functioning under section 93 had such large sources of revenue at its disposal that it had no need to resort to this form of taxation. That Government probably did not believe in publicity. I am not sure whether I too

227

[Mr. Vaikunth L. Mehta]

believe very much in publicity, but if we—that is, all the Members of this House, whether opposite or on this side—had examined the pronouncement made by the Government of Bombay when it enacted this piece of legislation as a Governor's Act, we might have felt that there was a case for the enactment of a taxation measure. And it was only after examination of the financial policy, of the commitments and of the programmes of Government, it was after we found that additional revenue from a source like this would come in very handy, that after two or three months' careful deliberation, the present Government of Bombay decided to make the liability under this Act enforceable. I would not go into the details of the financial position, because it is likely that in that event I may be anticipating a debate which may take place subsequently.

With regard to the estimate of revenue from this source, there has been a considerable amount of misunderstanding, and I have seen comments and criticisms in the Press and on the platform that it was hardly necessary for the Government of Bombay to enforce this Sales Tax when the estimated revenue from this source was either 40 lakhs or 80 lakhs of rupees. The figure given in the budget is 80 lakhs but, inasmuch as the Act was not enforced from the 1st of July but is enforceable from the 1st of October, that revenue is cut down to half, and it now amounts to Rs. 40 lakhs. In the pronouncement by the Section 93 Government it was pointed out that after proper operation of the Act and when the machinery was perfected, the measure should provide a revenue to the extent of somewhere between 2 to 2½ crores of rupees. If I went beyond that figure, I might be indulging in what are called "guestimates"—neither guesses nor estimates; but guestimates. Of course, I shall be very happy to get as much revenue from this taxation as possible and the figure of Rs. 10 crores makes my mouth water, but an ex-Finance Minister of the Government of Bombay, the very gentleman to whom allusion was made by the hon. Member Mr. Mirza Akhtar Hasan, Mr. Jamnadas Mehta, told me in the course of a conversation that I had with him, when he met me in deputation with some members of the Bombay Municipal Corporation, that two or two and a half crores was a fairly reasonable estimate, although this tax might yield a revenue of three and a half to four crores.

Having so far dealt with the general financial position and other matters which you, Sir, might have prevented me from referring to, because they are matters extraneous to the discussion of this Bill, I will deal with the details of the criticisms. I claimed that this Bill was a short Bill and that this Bill was a sweet Bill. I did not claim that the Act was a sweet Act; it would have been too much for me to have claimed that. It is certainly my adopted child today, and when I have adopted that as my child, I shall do my best to see that the child grows into a well-mannered and sweet youth. That is all that I can say about it.

I have just a few points now to reply to. These are points mostly raised by the hon. Member Mr. Mirza Akhtar Hasan. The first point is about the language in which the returns have to be submitted. Naturally, the language will be the recognised language of the place to which the dealer belongs. The hon. Member Mr. Mirza Akhtar Hasan, like many other friends outside, criticised the non-inclusion of books, particularly religious books, in the Schedule and the non-exemption of them from taxation. I am aware that, except in Madras, religious books are exempted from taxation. But when this question came up before the Government of Bombay, I must confess that I found it very difficult personally to distinguish

[Mr. Vaikunth L. Mehta]

one religious book from another. I may quote an illustration. I have with me at the moment—not here just now—a book by a very devoted friend of mine, the late Mr. Mahadev Desai, on the Gita. It is a posthumous work of his which was published only about a fortnight ago. I am not sure whether a work like that will be deemed a religious work. I am not sure whether works dealing with theology will be deemed religious works, but I may mention to the House that it is open to the Government of Bombay, at any stage, to notify an article as an article on which taxation will not be levied. And, in regard to religious books, if it is possible to arrive at a formula which is capable of being implemented by administrators, I shall be happy to place such a formula before the Government of Bombay.

Mr. A. A. KHAN : Why do you not place the formula before us ?

Mr. VAIKUNTH L. MEHTA : If the hon. Member will devise a formula—

Mr. A. A. KHAN : The Hon. Minister should devise a formula.

Mr. VAIKUNTH L. MEHTA : I have not been able to devise a formula which will cover a religious book and at the same time yield me a fair revenue.

I believe I have dealt with most points of detailed criticism. I would like to remind this House that, although in 1937 the imposition of a Sales Tax might have been objected to by the Congress Ministry in office at the time, that very Ministry introduced a Sales Tax Act in 1939, although I agree that that Sales Tax Act was of a somewhat different type from the Sales Tax Act which was enacted as a Governor's Act. But I may also point out that in 1939, in the Province of Madras, the Congress Ministry of the time enacted a Sales Tax Act. We had then Sales Tax Acts in Bengal, in Bihar, and in the Punjab. I do not anticipate action which might be taken by other Provinces, but this very fact indicates that the sales tax is now accepted in India as a legitimate, if not a desirable, form of taxation. It is accepted as a legitimate form of taxation and a desirable form of taxation inasmuch as, as was pointed out by one of the hon. Members, it may enable the Government which imposes such a tax to command an expanding source of revenue. But I may enter a caveat here that it may raise the scale of taxation at some risk to itself, as we found in the course of an attempt made in Bengal, just a few months ago, to raise the present scale of taxation in that Province which, I may point out, is higher than the scale which is proposed to be enforced in our Province.

There are just two more points which I should like to put before the House before I finish my reply to the debate. One is that, although the Government of Bombay has at its disposal at present certain balances, the scale at which our expenditure is mounting up proves the need, if I may say so, for fresh sources of revenue, and this need will be felt all the more keenly when we embark on our schemes of development. I may point out that these schemes of development are likely to be somewhat different from the schemes of development which were conceived of by the previous administration. These will impose recurring liabilities on us, and in order to meet these recurring liabilities, I feel that we must have at our disposal a source of revenue which will give us a recurring income. That is the point of view, Sir, that has been brought to our notice by the Government of India. As the House is aware, in our schemes of development, we shall claim a certain amount of assistance from the Government of India, but the extent of that assistance will be conditioned by the extent to which we utilise our own sources of revenue ; and I feel,

[Mr. Vankunth L. Mehta]

Sir—and that is what the Government of Bombay felt when they decided to enforce this taxation measure—that it would be unsound financially if the Government of Bombay were to forego revenue derivable from a measure which was part of the law of the land.

Just one word more before I close. My hon. Friends Mr. Mirza Akhtar Hasan from Bombay and Mr. Gandhi from Surat referred to some of the provisions of the Act which are likely to operate as a hardship to a dealer who has to get himself registered and who is liable for payment of the tax. Having discussed these difficulties with numbers and numbers of people, I am as conversant with some of these defects as these friends are. These are defects most of which could be rectified, I believe, by a sympathetic administration of the tax measure. I may assure the House that I am trying to see that the taxation is administered in as sympathetic a manner as is consistent with efficiency, and I go further, and here I speak on behalf of the Government of Bombay, and say that, recognising the feeling which exists in certain quarters that this measure of taxation should be subjected to further scrutiny as early as possible, the Government of Bombay will place this measure of taxation before an expert Committee, and treating this measure of taxation as a money Bill, which will be in force only for one year, it will produce another Bill based on the recommendations of the expert Committee which, I hope, will come up before we proceed with the Budget next year.

With these words, Sir, I again commend my motion for the acceptance of the House.

Question, "That the Bill be read a first time", put, and agreed to.

The Hon. the SPEAKER : The House will now adjourn and re-assemble at 4-30.

(Recess from 4 p.m. to 4-30 p.m.)

Mr. VAIKUNTH L. MEHTA : Sir, I beg to move that L. A. Bill No. XXIV of 1946 (A Bill to amend the Bombay Sales Tax Act, 1946) be read a second time.

Question put, and agreed to.

Bill read clause by clause.

Clause 2 (*Amendment of Sections 5 and 8 of Bom V of 1945*).

In sections 5 and 8 of the Bombay Sales Tax Act, 1946, for the figures "10,000" wherever they occur, the figures "30,000" shall be substituted.

The Hon. the SPEAKER : There is one amendment given to this clause by the hon. Member Mr. Mirza Akhtar Hasan. He may move it.

Mr. MIRZA AKHTAR HASAN : Sir, I beg to move :

For the figures "30,000" substitute "1,00,000".

Question proposed.

Mr. MIRZA AKHTAR HASAN : Sir, I rise to move my amendment, which is just in the nature of a vain attempt to persuade the Ministry to realise and see the propriety of our point of view. The way in which the Hon. the Finance Minister

[Mr. Mirza Akhtar Hasan]

has replied to the various criticisms is very hopeful, but I still feel that there are certain facts which, either through oversight, or perhaps he thought that they were not worth replying, have still to be replied to and I would, therefore, like to refer to them again.

My point was that the Municipalities and Local Bodies were more or less a part of the administration of the Government, and any type of taxation on their revenues was not at all the right thing to be done, and I do not think that there can be two opinions on this. I may assure the Hon. the Finance Minister that, by raising the figure from Rs. 30,000 to Rs. 1,00,000, he is not going to be a loser. The Bombay Municipality is going to purchase the Tramway Company, and if it does not escape this Sales Tax, it will have to lose nearly a sum of thirty to forty lakhs of rupees. My view point is that, if the slab is increased from Rs. 30,000 to Rs. 1,00,000, it would afford relief to many poor people not only in one aspect but in various aspects of life. Government themselves are undertaking to revolutionise and to improve the agriculture of this Province and to make this Province self-sufficient. Power-propelled tractors, and many other agricultural implements of an advanced type will have to be sold in the market, and I think, roughly, the price of those sold by one shop will not exceed sixty, seventy or eighty thousand rupees. So, it will be in the interests of the agricultural classes not to tax them. They will be exempted if the slab is increased.

Again, I wish to make my point quite clear that if the slab of Rs. 1 lakh is provided instead of Rs. 30,000, many such kinds of things, viz., construction of school buildings, wells, drainage, etc., for which bricks and cement are purchased will not exceed Rs. 30,000, and it is covered within Rs. 1 lakh. The drainage implements, sanitary appliances, and many other items which are required will be covered within Rs. 1 lakh, and hence I press that my amendment should be accepted.

The most important point that I have to make in moving this amendment is this : I fully agree and appreciate that the work before this Ministry is very great. To carry out that work and that scheme of social reconstruction money is needed. I shall admit that, but then it stands to reason, and I shall once again appeal to the Ministry to consider this point, that in no civilised country are capital works carried out by immediate taxation. The schemes of social reconstruction that are being contemplated by this Ministry are of two kinds—one minor type and the other capital type. The capital type should be carried out only by a loan fund. That means a loan should be floated and those works should be carried out from such a loan, because after all the capital works are not merely for the benefit of this generation alone. They are for the generations to come, and it will not be equitable to impose a heavy burden of taxation on this generation for the fruits to be enjoyed by the coming generations also. This generation has already been overtaxed during the war. It would be easy to float a loan to carry out those projects. Nobody can deny the fact that this generation has suffered very greatly during the war as there were a number of taxes, for example, the Excess Profits Tax under which 94 per cent. was taken over by Government leaving only 6 per cent. If this Government were to carry out capital projects by means of immediate taxation and to include the Sales Tax Act as part of such immediate taxation, it would not be right for Government to do so, because the advantages from such projects will not be enjoyed only by this generation but by the generations to come. Immediate

[Mr. Mirza Akhtar Hasan]

taxation like the present one is to be resorted to to meet an immediate need. Capi programme as contemplated by the present Government can be implemented out of a loan fund. This is the point that I have to bring to the notice of the Hon. the Finance Minister.

Then I wish to say a few words regarding the answer given by the Hon. Minister as regards religious books and their exemptions. I shall only refer to the logical division, and logic knows division of two kinds. They call it a division by dichotomy, which means religious and non-religious. Anything which deals with religion is a religious book, and one that does not deal with religious affairs is not a religious book. It is a simple thing.

Take the case of the newspaper. Even newspapers are taxed, whereas in other countries they are assisting the newspapers to carry on propaganda and post people with facts, so that they would be able to know what is going on all round. Radio sets are installed to receive broadcasts. But here is a Government which wants to tax even newspapers, whereas I know that the modern civilised countries are having recourse to and taking advantage of mobile units of cinema films to teach people community manners and matters of importance in our day to day affairs. Here we are going to tax a poor man who after a day's labour wants to purchase a newspaper. I am surprised why an agitation in this country has not yet taken place. Newspapers and other literature are there to refresh the brains of the community, and these commodities should not be taxed and that would not help us in any way. When the Hon. Finance Minister reconsiders the question of whether religious books are to be exempted or not, certainly he should take into consideration the exemption of the newspapers also.

Looking to all these things, the Ministry will not lose the tax if they increase the slab because a commodity passes through a wholesaler or a retailer and from a retailer to a smaller retailer, and it will be taxed at one place or the other. What is the harm if the tax is collected only from a man who has an outturn of Rs. 1 lakh or more? The incidence is there and the tax will be collected. Therefore, there is no reason why the slab should not be increased, as we are not losing the tax. The only difference here is that instead of taxing six persons, only one person will be taxed if we increase the slab. It will be more just and more equitable and the poor people will get more relief. Therefore, I commend my amendment to the House and hope that the Hon. the Finance Minister will accept it.

Mr. AHMED A. PATEL (Broach Sub-Division): Mr. Speaker, Sir, I support the amendment of my hon. Friend that the slab for assessment of the Sales Tax should be increased to Rs. 1 lakh. The amendment is moved with the only motive that the small trader should be given relief. With this purpose and with this end in view this amendment is moved, and also in view of the logical conclusion that the sales tax will be applied at only one stage of the passage of the article through several dealers, and it need not be discounted. The argument may be advanced that if the small trader is exempted, the income that is sought to be derived from this source will be a little less. Sir, the arguments placed before us by my hon. Friend Mr. Mirza Akhtar Hasan, were very exhaustive, and I need not repeat those arguments.

The Hon. the Finance Minister, while replying at the time of the first reading about the exemption of religious text books, said that it will be difficult to demarcate or

[Mr. Ahmed A. Patel]

come to a decision or arrive at a conclusion as to which are the text-books which can be definitely called religious text-books. I have already placed my views before him, and looking to the importance of the matter, I suggest that a Committee representing all sections of public opinion may be set up to decide which are the text-books that can be definitely called religious text-books. This is an important matter, and looking to the present state of things, not to exempt religious text-books will be misconstrued, and I am sure the Hon. the Finance Minister who has been very accommodating even in increasing the slab level from Rs. 10,000 to Rs. 30,000, might further accommodate this House by accepting the amendment of my hon. Friend Mr. Mirza Akhtar Hasan that the slab level should be increased to Rs. 1 lakh. He will also, I hope, accept my suggestion for appointing a Committee, because that is the only way to arrive at a definite decision as to which text-books can be called religious text-books. If I have not misunderstood him, I understand that he intends to exempt only religious text-books, such as the holy Koran or the Gita. But we know that there are innumerable commentaries on these religious text-books and it may be difficult to arrive at a decision as to which of the text-books may be exempted.

The other suggestion that I would like to put before the Hon. the Finance Minister for acceptance is that the income-tax returns may be accepted as the basis on which the officers may calculate the tax. As we know, this is the first tax of its kind in this Province, and innumerable difficulties will crop up in the initial stage and in the initial year and it will necessarily take some time until the whole machinery is evolved. We know that the Income-tax Department is working with great thoroughness and precision, and it will make matters easy if this machinery is taken advantage of as I have suggested. I, therefore, feel sure that the Hon. the Finance Minister will accept my suggestion that the income-tax returns should be the basis on which the sales tax may be calculated.

Although it may not be the intention of the Hon. the Finance Minister to set up a cumbersome machinery, still I think quarterly returns will mean a great hardship to the traders and the tax is to be calculated on them. I would like to suggest that instead of quarterly returns there may be half-yearly returns.

Looking to the spirit of accommodation that the Hon. Finance Minister has exhibited all along, I am sure that he will accept the amendment of my hon. Friend Mr. Mirza Akhtar Hasan and the suggestions that I have put before him.

Mr. VAIKUNTH L. MEHTA (Minister for Finance): Sir, while replying to this debate I wish very much that my hon. Friend Mr. Mirza Akhtar Hasan had stuck to his original figure of rupees three lakhs, because, if he had done so, I could have convinced him that a dot here or there did not matter.

Mr. MIRZA AKHTAR HASAN: That is because I was influenced by the convincing persuasion of the Hon. Minister.

Mr. VAIKUNTH L. MEHTA: But to convince Mr. Mirza Akhtar Hasan who has moved this amendment that there is no difference between Rs. 30,000 and a lakh of rupees is, I am afraid, a little difficult matter for me. In proposing that the figure of Rs. 10,000 be raised to Rs. 30,000, I observed in the course of my preliminary remarks and also while replying to the debate on the first reading, that this would not make a corresponding or proportionate reduction in the revenue

[Mr. Vaikunth L. Mehta]

obtainable from the tax, though there certainly would be some reduction in revenue because a certain number of articles would pass from the first stage to the last stage through a chain of unregistered dealers and would thus escape taxation. If the field of unregistered dealers is widened very much, it is obvious that the number of articles which would pass from hand to hand through that chain would increase considerably. They would, to my mind, increase to such an extent as to affect fairly appreciably the extent of the revenue which we hope to derive by the imposition of this tax.

Sir, in our Province, and in India as a whole, as we are all aware, trading is ordinarily carried on by a multiplicity of a very large number of small dealers. We have not the organised or chain stores such as they have in other countries, nor has shop-keeping, except in larger towns, become a profession which is pursued by large-scale organised traders with a fairly substantial turnover. Therefore, the bulk of trading is done by persons whose turnover is not very large. If this figure of Rs. 30,000 that is proposed in the Bill is raised to Rs. 1,00,000, and further, by the addition of another dot, to Rs. 10,00,000, then a very large number of traders would be exempted from the payment of tax, and, therefore, the field covered by these unregistered dealers will extend very considerably and therefore also the number of articles on which or the volume of sales on which tax can be levied will be reduced, to my mind, very appreciably.

Mr. MIRZA AKHTAR HASAN: Now that the prices are controlled, nobody can take more than 10 per cent. The article may be purchased at any place.

Mr. VAIKUNTH L. MEHTA: It is not a question of adding to the prices and making profits. It is really the question of the sale value, the amount of sale.

Then, Sir, there is another point which I should like to bring to the attention of the House. I have got a comparative list of liability to taxation in various Provinces, and there in Bihar the figure is 5,000 and in other Provinces it is 10,000. Here we are going very much beyond what other Provinces are providing for, and we are going up to the figure of Rs. 30,000. As I said, a very large number of persons have put forward the suggestion that the limit should be raised, but so far as I can recollect—I have got the entire list with me—there are hardly any associations, any corporations, any bodies of merchants who have put their demand at so high a figure as one lakh of rupees. This figure of Rs. 30,000 also, if I may say so, came as an after-thought. The figure that the Government of Bombay had at one time in mind was Rs. 20,000, but when a body which calls itself the biggest public institution in this country, namely, the Bombay Municipal Corporation, suggested the figure of Rs. 30,000 as suitable, the Government of Bombay thought that in response to a suggestion coming from so responsible a quarter, it might be suitable to raise the figure from Rs. 20,000 to Rs. 30,000. This is my main reply to the amendment as such.

There were a few other questions which were raised in the course of the debate, to which, if you will permit me, Sir, I should like to make a brief reply. I may assure the House that the Government of Bombay will follow the orthodox canons of finance, and, therefore, where it is recurrent expenditure to be met, we shall depend on a source which gives us a recurring revenue from taxation. But our recurring expenditure also is going up very considerably, and the House will be interested to know that the recent increase in the pay scales of the subordinate staff

[Mr. Vaikunth L. Mehta]

in the employment of Government is likely to cost Government no less a sum than one crore of rupees.

There are one or two other points also which I should like to deal with. One is the purchases to be made by local authorities. It is true that there is no provision in this measure for the exemption of such purchases from taxation. I may mention here that when a deputation from the Bombay Municipal Corporation, of which my hon. Friend Mr. Mirza Akhtar Hasan is a distinguished member, met me, this demand was not put forward on behalf of the Corporation. But I may state for the information of the House that if such a demand is put forward by the Bombay Municipal Corporation or by any other local authority, it can be considered within the structure of the law as it stands.

There were two or three other points which were raised in the course of the discussion. One was in regard to the exemption of newspapers from the payment of the tax. Some intelligent anticipation was reported in some local papers a few days ago. This question has been under the consideration of Government, and I do not mind telling the House at this stage that it is very likely that newspapers will be excluded from the purview of this measure of taxation. [*Hear, hear!*]

The other point was about religious books. This also is a question which can be considered. I suggested in my remarks on the first reading of this Bill that a formula could be devised and could be sent on to Government. I do not know whether I should leave that question over for examination by the expert committee which is proposed to be appointed, but even pending the labours of that committee, if a suitable formula is suggested to me such as the one that has been suggested by my hon. Friend from Broach (Mr. Patel), then that too will be considered, because it is open to Government to notify an article for exemption from the tax, and within a month of the date of that notification the tax will cease to operate in respect of that article.

The suggestion about basing the assessment on income-tax returns has been placed before Government and has been considered. It is one which seems at the moment a little difficult to accept, but it is one which will certainly be considered and which may be administratively utilised when actually the question of assessment comes up from January onwards.

With regard to the submission of quarterly returns for the purposes of payment of taxation, I should like to say that even before now Government have made it clear that while the tax will be recovered in the two quarters of this year on a quarterly basis, with effect from the 1st April 1947 the tax will be payable half-yearly and the returns will have to be submitted half-yearly.

I think I have dealt with all the points which were raised in the course of the discussion on the hon. Member Mr. Mirza Akhtar Hasan's amendment, but although I have dealt with all these points, I am sorry that I am not in a position to accept the amendment, and would only request that in view of the explanations that I have given, he may kindly withdraw it.

Mr. MIRZA AKHTAR HASAN : May I have the permission to withdraw the amendment, Sir ?

Mr. A. A. KHAN : Let us show at least once that we are more reasonable than the other side.

Amendment, by leave, withdrawn.

Clause 2 ordered to stand part of the Bill.

Clause 1 (Short title) and the preamble ordered to stand part of the Bill.

Mr. VAIKUNTH L. MEHTA : Mr. Speaker, Sir, I beg to move that L. A. Bill No. XXIV of 1946 (A Bill to amend the Bombay Sales Tax Act, 1946) be read a third time and passed.

Question put, and agreed to.

The Hon. the SPEAKER : L. A. Bill No. XXIV of 1946 (A Bill to amend the Bombay Sales Tax Act, 1946) is read a third time and passed.